



FISCAL MEMORANDUM

HB 2143 - SB 2396

March 28, 2022

SUMMARY OF BILL AS AMENDED (016479): Enacts the Tennessee Investment in Student Achievement Act (Act). Establishes the Tennessee Investment in Student Achievement (TISA) formula as the system for funding education for kindergarten through twelve (K-12) public schools to be implemented beginning with the 2023-2024 school year.

Requires the Department of Education (DOE) to create and publish a TISA guide outlining the department's procedures for administering the TISA. The guide must: identify the data each local education agency (LEA) must provide; explain how and when the data must be submitted; explain how an LEA may dispute an alleged error in an allocation made to the LEA; include a statement prohibiting the Comptroller from approving a local government budget that fails to include the local contribution; and identify each LEA that qualifies as a sparse district or a small district.

Establishes a funding allocation per student comprised of a base funding amount (including grants funds received in 2022-2023 school year), weighted allocations for which the individual student satisfies the criteria established in the proposed legislation, and direct allocations for various other criteria. Authorizes the General Assembly to restrict a portion of any annual increase in the base funding amount for the sole purpose of providing salary increases to existing educators. Funding allocations will be based on the immediately preceding school year.

Establishes student generated outcome incentive dollars available to an LEA based on the achievement of member students in the LEA's public school based on outcome goals created by DOE rule carrying a negative, neutral, or positive recommendation by the State Board of Education (SBE). Requires the commissioner of DOE to convene a group of individuals consisting of three superintendents of schools, one teacher, the chairs of the House and Senate education committees, the chair of the SBE, one parent of a public-school student, one resident member, one private business leader, and one member of a local school board to advise the Commissioner regarding outcome incentive funds and goals. Unspent funds allocated for student generated outcome incentives will not revert to the General Fund but will be maintained to supplement future allocations. Further establishes a fast-growth stipend for LEAs that experience more than one and one-quarter percent growth in the total student generated allocation as well as an infrastructure stipend for an LEA that experiences non-virtual schools average daily membership (ADM) growth exceeding two percent in three consecutive years.

Creates a process for an LEA to receive additional funds if TISA funds allocated in the first year of implementation are less than the funds allocated under the basic education program (BEP) funding formula in the 2022-2023 school year. For LEAs that do not receive less under TISA in the first year of implementation, specifies that any future decreases in annual TISA funds from

the prior year will be covered by the state such that the decrease in the LEA's TISA allocation is not greater than five percent from the previous year. Establishes additional grants for distressed counties and also Sevier County.

Authorizes the Commissioner of Education to withhold funds from LEAs that do not meet the requirements of the Act. The Commissioner further can waive any Board of Education rule that is seen as hindering an LEA from meeting its goals, except for those outlined in Tenn. Code Ann. § 49-1-201(d)(1).

The state will pay for 70 percent of the total base funding and weighted allocations with the local share equaling 30 percent. A county's local contribution will be calculated by the fiscal capacity calculation which is the average of estimates developed by the University of Tennessee's Boyd Center for Business and Economic Research (CBER) and the Tennessee Advisory Commission on Intergovernmental Relations (TACIR), evaluated by the Comptroller, and approved by the state board that determines fiscal capacity. The annual fiscal capacity calculation, underlying data, and determination for each county shall be reported publicly. The state will pay 100 percent of other student-generated funding as well as fast-growth stipends.

Requires the department to make available a professional development series on TISA to various local and state officials and employees. Requires any good or service selected or approved by the department to effectuate the professional development series be procured through a competitive process. All contracts procured are to be submitted to the Fiscal Review Committee for review. Establishes various reporting requirements including an accountability report. Authorizes the SBE or committee thereof to hold public hearings of an LEA who receives a D or F letter grade and establishes two corrective actions the SBE may take, including a corrective action plan approved by DOE or an audit and investigation by the DOE.

Establishes, beginning January 1, 2026, a TISA review committee which includes:

1. SBE executive director;
2. Commissioner of Education;
3. Commissioner of Finance and Administration;
4. Comptroller of the Treasury;
5. Director of TACIR;
6. Chair of the Senate Education Committee;
7. Chair of the House Education Administration Committee;
8. Directors of the Office of Legislative Budget Analysis; and
9. Representatives of various local stakeholders as appointed by the SBE.

The review committee shall meet four times annually and prepare a report by November 1 of each year that includes recommendations on needed revisions, additions, and deletions to the TISA as well as an analysis of instructional salary disparities among LEAs including benefits and other compensation.

Grants the Department of Education sole rulemaking authority and removes the SBE's rule making authority over education finance. Prior to any rulemaking process begins, the SBE is to provide a positive, neutral, or negative recommendation of the rules proposed. Revises various pay, staffing and funding requirements of the basic education program formula. Replaces references to the basic education program throughout statute with the TISA.

Removes language regarding school safety grants and establishes that LEAs may use funding allocated through the TISA for programs that address school safety.

Requires an LEA to allocate the following amounts to the charter school:

- The total of the state and local student-generated funds for member students in the charter school for the prior year in alignment with the TISA;
- The average per pupil local funds received by the district in the current school year above those required by the TISA for each member student in the charter school in the prior year;
- The per student state and local funds received by the LEA for member students in the charter school in the current school year beyond the prior year's membership; and
- All appropriate allocations under federal law or regulation.

FISCAL IMPACT OF BILL AS AMENDED:

**Increase State Expenditures – \$118,700/FY22-23/Board of Education
\$117,700/FY23-24 and Subsequent Years/
Board of Education**

Exceeds \$1,010,279,500/FY23-24 and Subsequent Years/TISA

Other Fiscal Impact – The fiscal impact of the proposed legislation is dependent on the future actions and rulemaking of the Department of Education. State and local government impacts may change based on those future actions.

The Governor's proposed FY22-23 budget document includes funding for the proposed legislation in the amount of \$750,000,000 in recurring expenditures and one-time savings in the amount of \$750,000,000 on page A-33.

Assumptions for the bill as amended:

State Impact:

- The fiscal impact of shifting to the new TISA formula from the current BEP formula will be realized in FY23-24 and will apply to school year 2023-2024.
- The TISA formula will be based on the 2022-2023 school year BEP calculation as a baseline with weights, grants, growth stipends, and student outcome incentives.
- Since the 2022-2023 school year BEP calculations have not been finalized and several of the variables within the TISA will be established through rulemaking authority granted to the DOE, this estimate is based solely on data and estimates provided by the department. The DOE estimates the state portion of the TISA funding formula will total \$6,330,727,320 in FY23-24.
- The DOE also estimates fast growth stipends of \$35,000,000 and grant funding for distressed/at-risk and unique circumstances to total \$16,340,000.
- The proposed legislation includes language that an LEA which experiences a TISA allocation that is less than the baseline funding amount (BEP allocation for the 2022-

2023 school year) will be held harmless in year one. The hold harmless provision diminishes by 25 percent annually over the next four years. The following chart provides an estimate of the additional state expenditures annually to meet the hold harmless provision:

LEA	FY22-23 BEP State Funding	FY23-24 TISA State Funding	Difference	FY23-24 (100%)	FY24-25 (75%)	FY25-26 (50%)	FY26-27 (25%)
Carroll County	\$ 2,102,279	\$ 36,795	\$ 2,065,484	\$ 2,065,484	\$ 1,549,113	\$ 1,032,742	\$ 516,371
Fayette County	\$ 17,183,601	\$ 14,551,969	\$ 2,631,631	\$ 2,631,631	\$ 1,973,723	\$ 1,315,816	\$ 657,908
Franklin SSD	\$ 15,592,527	\$ 14,042,256	\$ 1,550,271	\$ 1,550,271	\$ 1,162,703	\$ 775,135	\$ 387,568
Moore County	\$ 5,185,690	\$ 4,947,113	\$ 238,577	\$ 238,577	\$ 178,933	\$ 119,289	\$ 59,644
Richard City	\$ 1,566,110	\$ 1,334,142	\$ 231,967	\$ 231,967	\$ 173,975	\$ 115,984	\$ 57,992
Wayne County	\$ 15,300,157	\$ 14,608,214	\$ 691,943	\$ 691,943	\$ 518,957	\$ 345,972	\$ 172,986
TOTAL				\$ 7,409,873	\$ 5,557,405	\$ 3,704,937	\$ 1,852,468

- The proposed legislation also caps any TISA allocation which decreases from the previous year's TISA allocation at five percent for all LEAs that are not included in the hold harmless provision; therefore, the state will make up the difference up to five percent in future years. The estimated impact of this provision cannot be quantified.
- The total increase in state expenditures is estimated to be \$1,010,279,500 in FY23-24 and subsequent years.

Total State Expenditures	TISA Formula	\$ 6,349,171,316
	Fast Growth	\$ 35,000,000
	Distressed/At-Risk and Unique Circumstance Grants	\$ 16,340,000
	Transition Hold Harmless	\$ 7,409,873
	Total	\$ 6,407,921,189
FY22-23 BEP Budget Allocation	FY22 Base Appropriation	\$ 5,133,176,000
	FY23 Cost increase	\$ 222,403,000
	Total	\$ 5,355,579,000
Current Grant Funds into TISA	Coordinated School Health	\$ 14,045,000
	School Safety	\$ 19,026,891
	Family Resource Center	\$ 2,990,777
	Charter School Facilities	\$ 6,000,000
	Total	\$ 42,062,667
Total FY23-24 Increase in State Expenditures	Total State Expenditures	\$ 6,407,921,189
	Minus FY22-23 BEP allocation	\$ (5,355,579,000)
	Minus Current Grant Funds	\$ (42,062,667)
	Total Increase	\$ 1,010,279,522

Local Impact:

- While the local match amount required under the TISA funding formula is changing, the amount each LEA is required to fund through the maintenance of effort (MOE) is unchanged.
- Many LEAs provide funding at a greater amount than is required through the local government's MOE; therefore, the majority of local expenditures will not have to change according to the DOE.
- The proposed legislation requires each local government's fiscal capacity to be based on a formula established by CBER and TACIR. Currently, under the BEP, a local government's fiscal capacity is based on CBER and calculations. Since the fiscal capacity calculation under TISA will be calculated the in the same manner as under the BEP; the MOE requirements of any LEA are considered not to change.

Accountability Requirements:

- The proposed legislation grants the SBE authority to appoint a committee to hold a hearing on any LEA or public charter school that operates or authorizes a public school receiving a D or F letter grade.
- The proposed legislation does not establish the number of committee members to serve on the committee. It is also unknown of the extent or timing of the committee appointments or meetings; therefore, an exact increase in expenditures resulting from increased per diem or travel reimbursement to the SBE cannot be determined.
- Should the committee request an audit and investigation of the LEA or public charter school by the DOE, it is assumed the work will not result in a significant increase in expenditures.

TISA Review Committee:

- The TISA Review Committee will meet at least four times annually beginning in FY25-26.
- The legislative members of the current BEP Review Committee are the same members appointed to the TISA Review Committee.
- Over the past four years, the BEP Review Committee has met at least four times; therefore, any additional expenditures incurred will not be significant.

The State Board of Education:

- The SBE will hire one local finance/policy specialist to assist the SBE in carrying out the additional duties required in the bill.
- The recurring increase in state expenditures, beginning in FY22-23, is estimated to be \$117,706 (\$95,000 salary + \$22,706 benefits).
- There will be a one-time increase in state expenditures in FY22-23 of \$1,000 for computer and technology set-up.
- The total increase in state expenditures is estimated to be \$118,706 (\$117,706 + \$1,000) in FY22-23 and \$117,706 in FY23-24 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The script is cursive and fluid.

Krista Lee Carsner, Executive Director

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